

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
FINANCIAL AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

10/10/07

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Southern University System Foundation
(A Not-For-Profit Organization)
Baton Rouge, Louisiana

We have audited the accompanying consolidated statement of financial position of the **Southern University System Foundation (the Foundation)** as of December 31, 2006, and the related statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the **Foundation's** management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **Southern University System Foundation** as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Southern University System Foundation
(A Not-For-Profit Organization)
Baton Rouge, Louisiana
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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the report (shown on page 23 through 33) is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Foundation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

September 7, 2007

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2006.

ASSETS

Current Assets:

Cash and cash equivalents (NOTE 2)	\$ 1,775,083
Certificates of deposit	153,181
Receivables (net allowance of \$178,000) (NOTE 16)	597,866
Other receivable	47,310
Due from affiliate (NOTE 8)	13,399
Unconditional promises to give (net allowance of \$ 24,700) (NOTES 2 AND 7)	123,294
Other assets	3,825
Prepaid bond insurance	1,103,995
Bond issuance costs (NOTE 2)	828,838
Fixed assets (net of accumulated depreciation of \$1,096,978) (NOTE 2 AND 4)	7,809,027

Restricted Assets: (NOTE 2)

Cash and cash equivalents (NOTE 2)	525,970
Certificates of deposit	1,617,470
Investments (NOTE 3)	<u>63,998,585</u>

Total current assets 78,597,843

Non-current Assets:

Unconditional promises to give (NOTES 2 AND 7)	<u>25,000</u>
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Total non-current assets 25,000

Total assets \$ 78,622,843

The accompanying notes are an integral part of these financial statements.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
CONSOLIDATE STATEMENT OF FINANCIAL POSITION, CONTINUED
DECEMBER 31, 2006

LIABILITIES

Current Liabilities:

Accounts payable and accrued liabilities	\$ 630,015
Accrued interest payable	23,356
Payroll taxes payable	2,606
Due to affiliate (NOTE 10)	4,066,090
Notes payable (NOTE 11)	38,860
Bonds payable (NOTE 12)	1,190,000
Deferred revenue (NOTE 18)	3,060,501
Bonds premium (NOTE 19)	2,117,037
Rental deposit fund (NOTE 21)	<u>1,876,013</u>

Total current liabilities 13,004,478

Non-current Liabilities (NOTE 2):

Notes payable (NOTE 11)	200,057
Bonds payable (NOTE 12)	<u>59,990,000</u>

Total non-current liabilities 60,190,057

Total liabilities 73,194,535

Net Assets (NOTE 2):

Unrestricted	1,851,337
Temporarily restricted	2,009,997
Permanently restricted	<u>1,566,974</u>

Total net assets 5,428,308

Total liabilities and net assets \$ 78,622,843

The accompanying notes are an integral part of these financial statements.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES AND OTHER SUPPORT</u>				
Contributions and other support	\$ 14,401	\$ 668,678	\$ -0-	\$ 683,079
Scoreboard sponsorships	315,000	-0-	-0-	315,000
Rental income (NOTE 17)	1,439,499	-0-	-0-	1,439,499
Athletic sponsorships and support	184,428	-0-	-0-	184,428
Interest income	19,569	6,148	-0-	25,717
Other income	87,855	-0-	-0-	87,855
Bayou Classic revenues	663,215	-0-	-0-	663,215
In-kind revenue (NOTE 14)	1,538	-0-	-0-	1,538
Net assets released from restrictions:				
Satisfaction of program restrictions (NOTE 6)	<u>1,076,970</u>	<u>(1,076,970)</u>	<u>-0-</u>	<u>-0-</u>
Total revenues and other support	<u>3,802,475</u>	<u>(402,144)</u>	<u>-0-</u>	<u>3,400,331</u>
<u>EXPENSES</u>				
Program services	1,817,893	-0-	-0-	1,817,893
Support services	327,692	-0-	-0-	327,692
Fund raising	<u>12,833</u>	<u>-0-</u>	<u>-0-</u>	<u>12,833</u>
Total expense	<u>2,158,418</u>	<u>-0-</u>	<u>-0-</u>	<u>2,158,418</u>
Changes in net assets	1,644,057	(402,144)	-0-	1,241,913
Net assets, beginning of year	<u>207,280</u>	<u>2,412,141</u>	<u>1,566,974</u>	<u>4,186,395</u>
Net assets, end of year	\$ <u>1,851,337</u>	\$ <u>2,009,997</u>	\$ <u>1,566,974</u>	\$ <u>5,428,308</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets:	\$ 1,241,913
Adjustments to reconcile revenues in excess of expenses to net cash used in operating activities:	
Depreciation and amortization	262,420
Decrease in accounts receivable	361,779
Increase in cost of issuance	(828,838)
Increase in prepaid insurance	(1,103,995)
Decrease in pledges receivable	83,295
Increase in other receivable	(47,310)
Decrease in other assets	11,720
Decrease in due from Millennium Housing, LLC	2,697,463
Increase in due from Affiliate	(43,185)
Increase in board rental deposit	1,876,013
Increase in due to foundation	556,201
Increase in due to affiliate	586,665
Decrease in accounts payable	(546,932)
Increase in payroll tax payable	2,186
Increase in deferred revenue	3,059,501
Decrease in accrued interest payable	<u>(8,192)</u>
Net cash used in operating activities	<u>6,918,791</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of investments	(61,133,341)
Purchase of certificates of deposit	(1,098,072)
Purchase of equipment	(2,237,687)
Construction in progress	<u>(3,325,514)</u>
Net cash used in investing activities	<u>(67,794,614)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayments of notes payable/line of credit	(2,326,925)
Proceeds from issuance of bonds	<u>61,937,037</u>
Net cash used in financing activities	<u>59,610,112</u>
Net decrease in cash and cash equivalents	(23,798)
Cash and cash equivalents, beginning of year	<u>2,324,851</u>
Cash and cash equivalents, end of year	<u>\$ 2,301,053</u>
Interest paid in cash	\$ 106,267

The accompanying notes are an integral part of these financial statements.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization and Purpose:

The **Southern University System Foundation (the Foundation)** is a non-profit corporation organized to promote the educational and cultural welfare of the Southern University and Agricultural and Mechanical College System and to develop, expand, and improve the University's facilities.

The consolidated financial statements of the **Foundation** include:

- **Southern University System Foundation (the Foundation)** as described above; and
- **Millennium Housing, L.L.C. (Millennium)** a non-profit corporation organized under the laws of the State of Louisiana and sponsored by the **Foundation**. Millennium was formed to develop facilities and other auxiliary capital projects for the Southern University System.

Throughout the notes to the consolidated financial statements the **Foundation** and Millennium will be collectively referred to as the **Foundation**. The financial statements of the **Foundation** and Millennium have been consolidated as they are under common management.

NOTE 2 - Summary of Significant Accounting Policies:

Tax Exemption Status

The **Foundation** is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Reporting

The **Foundation** is a non-profit organization whose financial statements are prepared on the accrual basis. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Financial Statement Presentation

The Foundation has adopted the provision of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organization", which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to external (donor) imposed restrictions.

A description of the three net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of **the Foundation** are included in this category.

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor-imposed restrictions (capital improvements, etc.) have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

Promises to Give

Unconditional promises to give are recognized as contribution revenue and receivables in the period in which the promise is received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at the present value of their estimated future cash flows if they are expected to be collected in more than one year. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Investments and Investment Income

Investments in equity securities and mutual funds are measured at fair value in the statement of financial position. Investment income or loss (including realized gains and losses on investments, interest, and dividends) is recorded as an increase in the due to affiliate liability account as the investments are held on behalf of the University.

Contributions

The Foundation accounts for contributions in accordance with the requirements of the Financial Accounting Standards Board in Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Unconditional promises to give cash and other assets to **the Foundation** are reported at fair value on the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value on the date the gift is received.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents

Cash consists solely of demand deposits and a money market account that is secured by federal deposit insurance. All highly liquid debt instruments purchased with an original maturity of three months or less are considered to be cash equivalents for purposes of the statement of cash flows.

Fixed Assets

Fixed assets of the **Foundation** are recorded as assets and are stated at historical cost if purchased, or at fair value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. The **Foundation** follows the practice of capitalizing all fixed asset purchases that exceed \$1,000.

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which are five to thirty-nine years.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Restricted Assets

Cash and cash equivalents, certificates of deposit and investments that are held on behalf of the Southern University System are classified as restricted assets in the statement of financial position.

Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable and notes payable with contractual maturities greater than one year.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of **the Foundation** and Millennium Housing, L.L.C. All material intercompany transactions have been eliminated.

Bonds issuance Costs

Cost incurred in connection with the issuance of the bonds are amortized using the straight- line method over the life of the bonds. Bond issuance costs incurred through the bond issuance totaled \$828,838. These costs will be shown net of accumulated amortization.

Construction in Progress

Construction in progress consists of development costs, direct and indirect construction costs and capitalized interest. The costs are accounted for as construction in progress until such time as the project is complete and the assets are placed into service. The assets are then classified as property and equipment and depreciated accordingly. During the year ended December 31, 2006, **the Foundation** entered into an agreement with the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Board) to construct new student housing facilities and certain auxiliary student facilities.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Construction in Progress, Continued

The Foundation will borrow money and construct the facilities as specified by the Board and the facilities will be leased back to the Board. The revenues generated by these facilities will be used to pay for the financing of the project. Construction in progress related to the project totaled \$3,325,514 at December 31, 2006.

NOTE 3 - Investments:

Investments as of December 31, 2006 are summarized as follows:

	<u>Cost</u>	<u>Fair/Carrying Value</u>
Temporarily and permanently restricted:		
Equity and fixed income held on behalf of the Southern University System	\$ 1,145,238	\$ 1,847,158
Fixed income	<u>62,151,427</u>	<u>62,151,427</u>
Total	<u>\$63,998,585</u>	<u>\$ 63,998,585</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Fixed Assets:

Land, building and equipment as of December 31, 2006 are summarized as follows:

Land and Improvements	\$ 1,014,978
Building	1,161,847
Office equipment	20,928
Field Improvements	550,658
Stadium Equipment	217,868
Scoreboard equipment	2,555,611
Furniture and fixtures	45,333
Software	13,268
Construction-in-progress	<u>3,325,514</u>
Sub-total	8,906,005
Less: accumulated depreciation	<u>(1,096,978)</u>
Total	\$ <u>7,809,027</u>

Depreciation expense totaled \$262,420 for the year ended December 31, 2006.

NOTE 5 - Concentrations of Credit Risk:

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions. Cash and cash equivalents exceeded federally insured limits by \$3,607,997 as of December 31, 2006.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Net Assets Released from Donor Restrictions:

Net assets were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by the donors for the year ended December 31, 2006:

Scholarships and educational assistance	\$ 91,715
Conferences and meetings	72,788
Special events and projects	836,964
Other	<u>75,503</u>
Total	<u>\$ 1,076,970</u>

NOTE 7 - Unconditional Promises to Give:

Unconditional promises to give as of December 31, 2006, are as follows:

Promises to give expected to be collected in:	
Less than one year	\$ 147,994
Less: Allowance for doubtful accounts	<u>(24,700)</u>
Sub-total	123,294
More than five years	<u>25,000</u>
Total net unconditional promises to give	<u>\$ 148,294</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Due From Affiliate:

The Foundation has certain funds maintained by the Southern University System, which totaled \$13,399 at December 31, 2006.

NOTE 9 - Due from Millennium Housing, LLC:

On April 3, 2004, Millennium Housing, LLC (a non-profit organization) (the LLC) was established exclusively for the purpose of borrowing funds for the Auxiliary capital projects. **The Foundation** is the sole member and manager of the LLC and shall have all powers necessary to handle the LLC's affairs which includes: 1) the power to acquire property in the name of the LLC, 2) borrow monies from banks and lending institutions, 3) lease, sell and exchange the LLC property, 4) construct improvements on, demolish, rehabilitate the LLC property, and 5) hire, employ or contract with any management company, leasing agents, consultants, etc. **The Foundation** incurred expenses and other indebtedness on behalf of the LLC. As of December 31, 2006, the unreimbursed amount due to **the Foundation** totaled \$556,201. The unreimbursed balance will not be included in the Statement of Financial Position as intercompany transactions are eliminated in accordance with Generally Accepted Accounting Principles.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Due to Affiliate:

Southern University System has contracted with **the Foundation** to invest the University's Endowed Chair for Eminent Scholars and Endowed Professorship endowment funds. The Endowed Chairs for Eminent Scholars endowment funds are established for \$1,000,000 with \$600,000 of private contributions and \$400,000 of state matching portion allocated by the Board of Regents for Higher Education. The Endowed Professorship Program endowment funds are established for \$100,000 with \$60,000 of private contributions and \$40,000 of state matching portion allocated by the Board of Regents for Higher Education. The amount due to the Southern University System as of December 31, 2006, totaled \$3,990,599.

Also, **the Foundation** received funds on behalf of various departments of the Southern University- Baton Rouge Campus which totaled \$75,491.

The total amount due to affiliates as of December 31, 2006, totaled \$4,066,090.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Notes Payable:

The following is a summary of notes payable at December 31, 2006:

Note payable to a bank, secured by the Scoreboard Equipment, with an interest rate of 7.5%, with a maturity date of February 15, 2007	\$ 10,000
Unsecured note payable to a contractor, with an interest rate of 7.186%, with a maturity date of April 20, 2013	<u>228,917</u>
Sub-total	238,917
Less: current portion	<u>(38,860)</u>
Total	\$ <u>200,057</u>

Scheduled principal payments due on the above notes payable subsequent to
December 31, 2006 are as follows:

Year Ended December 31,

2007	\$ 38,860
2008	30,934
2009	33,157
2010	35,539
2011	38,093
Subsequent to 2012	<u>62,334</u>
Total	\$ <u>238,917</u>

Interest expense for the year ended December 31, 2006, totaled \$26,925.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - Bonds Payable:

On May 19, 2003, the Louisiana Local Government Environmental Facilities and Community Development Authority issued \$1,700,000 of Revenue Bonds, Series 2003) to **the Foundation**. The proceeds of the bonds were used for the purpose of funding a new entrance marquee and new athletic scoreboards on land adjacent to and on the campus of Southern University and Agricultural and Mechanical College and paying the costs of issuance of the Series 2003 Bonds. The bond agreement provides for interest on the outstanding bonds at a rate of 5.64% per annum. The bonds are due in annual principal installments of \$170,000, beginning February 15, 2004 and ending February 15, 2007, with a balloon principal payment of \$1,190,000.

On December 13, 2006, the Louisiana Public Facilities Authority issued \$59,990,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to **the Foundation**. The proceeds of the bonds are being used to (i) finance the design, development, acquisition, construction, installation, renovation, and equipping of (a) Student Housing Facilities to be located on the campus of Southern University and Agricultural and Mechanical College in Baton Rouge, Louisiana (SUBR), (b) certain auxiliary student projects, including a student intramural sports complex, a portion of a football and track complex, a baseball field house and north-end seating in Mumford Stadium and refinancing a loan for the football field restoration at SUBR, (c) all equipment, furnishings, fixtures, and facilities incidental or necessary in connection therewith at SUBR, and (d) acquiring a building to be used by Southern University at Shreveport, Louisiana (SUSLA) (collectively, the "Project"), (ii) refinance portions of a bridge loan incurred to pay certain of such costs prior to delivery of the Series 2006 Bonds, (iii) pay costs of issuance including premium on the Bond Insurance Policy, (iv) fund a reserve fund, and (v) pay capitalized interest during construction of the Project.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - Bonds Payable, Continued:

The requirements to amortize the bonds are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>
2007	\$ 1,190,000
2008	-0-
2009	925,000
2010	970,000
2011	1,010,000
Subsequent to 2012	<u>57,085,000</u>
Total	<u>\$ 61,180,000</u>

Interest expense for the year ended December 31, 2006, totaled \$69,513.

NOTE 13 - Fair Values of Financial Instruments:

The estimated fair value of all significant financial instrument amounts have been determined by the **Foundation** using available market information and appropriate valuation methodologies. The carrying value and estimated fair values of the **Foundation's** financial instruments at December 31, 2006 are as follows:

	<u>Carrying Value</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$ 2,301,053	\$ 2,301,053
Certificates of deposit	1,770,651	1,770,651
Unconditional promises to give	148,294	148,294
Investments	63,988,585	63,988,585
Financial Liabilities:		
Bonds payable	61,180,000	61,180,000
Notes payable	238,917	238,917

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - In-Kind Donations:

During the fiscal year ended December 31, 2006, **the Foundation** received \$1,538 in-kind donations from professional legal services.

NOTE 15 - Leases:

On May 15, 2003, **the Foundation** (Lessor) entered into an equipment lease agreement with the Board of Supervisors for Southern University and Agricultural and Mechanical College (the Lessee) to lease the football and basketball scoreboard, twin signs located on either side of the baseball scoreboard and a front entrance marquee with all ancillary equipment. This lease shall be and continued in full force and effect for a term beginning on the effective date of the agreement and ending upon termination of the premises lease, at which time the lessee shall be granted all rights, title and interest as owner in and to the equipment in accordance with the premises lease. The lease calls for rent of \$1.00 per year.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 16 - Receivables

Receivables consist of amounts due from Bayou Classic related events, College of Business Gala as well as an amount due from a third party from prior year. An allowance for doubtful collections has also been recorded for the entire balance of the amount due from the third party.

Receivables consist of the following:

Bayou Classic related events	\$ 583,366
Third Party	178,000
College of Business Gala	<u>14,500</u>
Sub-total	775,866
Less: Allowance for doubtful collection	<u>(178,000)</u>
Receivables net allowance for doubtful account	\$ <u>597,866</u>

NOTE 17 - Cooperative Endeavor and Lease Agreement

On October 26, 2006 the **Foundation** entered into a Cooperative Endeavor and Lease Agreement (the Agreement) with the Board of Supervisors of Southern University and Agricultural and Mechanical College (the Board), lease to the Board, certain student housing facilities and certain auxiliary student facilities. The Board made an initial payment to the **Foundation** in the amount of \$4,500,00.00 on December 13, 2006. The initial payment was deposited in the Foundation, to be utilized for a student intramural sports complex and north-end seating in Mumford Stadium at Southern University - Baton Rouge campus. After the initial payment, the Board shall make annual payments to the **Foundation** starting November 1, 2008 and terminating on November 1, 2037, unless the Louisiana Public Facilities Authority Series 2006 Bonds are paid in full or legally defeased prior to that date. The Board payment shall be the same as the payments due on the Louisiana Public Facilities Authority Series 2006 Bonds.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 18 - Deferred Revenue

As of December 31, 2006, deferred revenue consisted of prepayment of board base rent obligations in the amount of \$3,060,501.

NOTE 19 - Bonds Premium

The bond premium received upon the issuance of the bonds is being amortized over the life of the bonds using the straight line method. Total bond premium at issuance totaled \$2,117,037. Annual amortization will be charged against "Interest Expense". The bond premium will be shown net of accumulated amortization.

NOTE 20 - Ground Lease

Pursuant to the Cooperative Endeavor and Lease Agreement between **the Foundation** and the Board of Supervisors of Southern University and Agricultural and Mechanical College, **the Foundation (the Lessee)** will lease the land on which the student housing facilities and certain auxiliary student facilities is being constructed for the Board of Supervisors of Southern University and Agricultural and Mechanical College **(the Lessor)**.

NOTE 21 - Rental Deposit Fund

The Bond Trust Indenture required that a Rental Deposit Fund be established on the date of issuance of the Louisiana Public Facilities Authority Series 2006 Bonds. The Rental Deposit Fund was funded in an amount equal to 50% of the maximum principal and interest requirements coming due on the Series 2006 Bonds in any future fiscal year. If there is any insufficiency in the Revenue Account of the Bond fund to pay principal and interest on the Series 2006 Bonds in future fiscal years, then the monies on deposit in the Rental Deposit Fund shall be used in an amount sufficient to pay the principal and interest on the Series 2006 Bonds.

On the final maturity date of the Series 2006 Bonds, any monies on hand in the Rental Deposit Fund shall be used to pay any principal and interest remaining on the Series 2006 Bond on such final maturity date.

SUPPLEMENTARY INFORMATION

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 2006

	THE FOUNDATION	MILLENNIUM	Total	Elimination	Consolidated
Cash and cash equivalents	\$ 2,301,053	\$ -	\$ 2,301,053	\$ -	\$ 2,301,053
Investments	1,847,168	62,151,427	63,998,585	-	63,998,585
Certificates of deposit	1,770,651	-	1,770,651	-	1,770,651
Due from Affiliate	589,600	-	589,600	(556,201)	33,399
Receivables, net allowance	597,866	-	597,866	-	597,866
Other receivable	47,310	-	47,310	-	47,310
Unconditional promises, net of allowance	148,293	-	148,293	-	148,293
Furniture and equipment, net of accumulated depreciation	2,375,480	5,433,548	7,809,028	-	7,809,028
Cost of issuance	-	828,838	828,838	-	828,838
Other assets	3,825	-	3,825	-	3,825
Prepaid expense	-	1,103,995	1,103,995	-	1,103,995
Total assets	\$ 9,661,236	\$ 69,517,808	\$ 79,179,044	\$ (556,201)	\$ 78,622,843
Liabilities					
Accounts payable	\$ 151,460	\$ 478,555	\$ 630,015	\$ -	\$ 630,015
Due to affiliate	4,066,080	556,201	4,622,281	(556,201)	4,066,080
Deferred revenue	-	3,060,501	3,060,501	-	3,060,501
Bonds payable	1,190,000	59,990,000	61,180,000	-	61,180,000
Bonds payable premium	-	2,117,037	2,117,037	-	2,117,037
Rental deposit fund	-	1,876,013	1,876,013	-	1,876,013
Notes payable	238,917	-	238,917	-	238,917
Payroll taxes payable	2,606	-	2,606	-	2,606
Interest payable	23,356	-	23,356	-	23,356
Total liabilities	5,672,429	68,078,307	73,750,736	(556,201)	73,194,535
Net Assets					
Beginning net asset balance	4,186,395	-	4,186,395	-	4,186,395
Change in net assets	1,241,913	-	1,241,913	-	1,241,913
Ending net asset balance	5,428,308	-	5,428,308	-	5,428,308
Total Liabilities and Net Assets	\$ 11,100,737	\$ 68,078,307	\$ 79,179,044	\$ (556,201)	\$ 78,622,843

**SOUTHERN UNIVERSITY SYSTEM FOUNDATION
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF REVENUES AND SUPPORT
FOR THE YEAR ENDED DECEMBER 31, 2006**

REVENUES AND SUPPORT	THE FOUNDATION	MILLENNIUM	Total	Elimination	Consolidated
Contributions	\$ 683,079	\$ -	\$ 683,079	\$ -	\$ 683,079
Rental income	-	1,439,499	1,439,499	-	1,439,499
Scoreboard sponsorships	315,000	-	315,000	-	315,000
Athletic sponsorship and support	184,428	-	184,428	-	184,428
Interest income	25,717	-	25,717	-	25,717
Bayou Classic revenues	663,215	-	663,215	-	663,215
In-kind revenue	1,538	-	1,538	-	1,538
Other income	87,855	-	87,855	-	87,855
Total revenue and support	\$ 1,960,832	\$ 1,439,499	\$ 3,400,331	\$ -	\$ 3,400,331

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
CONSOLIDATED SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Program</u>	<u>General</u>	<u>Fund Raising</u>	<u>Total</u>
Cultivation/Recognition	\$ 80,437	\$ 3,150	\$ -0-	\$ 83,587
Advertising and promotion	3,416	1,100	-0-	4,516
Depreciation	106,484	155,936	-0-	262,420
Amortization	7,652	-0-	-0-	7,652
Maintenance	6,660	-0-	-0-	6,660
Materials and supplies	44,266	8,386	2,849	55,501
Miscellaneous	14,904	211	-0-	15,115
Equipment and resource materials	26,091	1,400	-0-	27,491
Bad debt expense	25,227	2,820	-0-	28,047
Postage and mailing	825	2,485	4,076	7,386
Professional fees and contracts	194,645	74,769	-0-	269,414
Printing and publications	7,324	2,028	2,025	11,377
Conferences and professional meetings	72,788	6,244	716	79,748
Professional and membership dues	4,636	4,182	-0-	8,818
Scholarships and educational assistance	91,715	-0-	-0-	91,715
Salaries and related benefits	-0-	27,564	-0-	27,564
University events and programs	836,965	9,635	3,167	849,767
Subscriptions, references, and dues	80	787	-0-	867
Travel and transportation	60,840	4,431	-0-	65,271
Bank fees and loan costs	2,336	3,178	-0-	5,514
Administrative costs	87,855	-0-	-0-	87,855
Insurance	-0-	3,231	-0-	3,231
In-kind expenses	-0-	1,538	-0-	1,538
Telecommunications	14,466	-0-	-0-	14,466
Public/community support	7,975	3,870	-0-	11,845
Faculty and staff development	14,039	10,747	-0-	24,786
Interest expense	<u>106,267</u>	<u>-0-</u>	<u>-0-</u>	<u>106,267</u>
Total	<u>\$1,817,893</u>	<u>\$ 327,692</u>	<u>\$12,833</u>	<u>\$2,158,418</u>

See Accompanying Independent Auditors' Report.

**OTHER
SUPPLEMENTARY INFORMATION**

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
CONSOLIDATED STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2006

ASSETS

Current Assets

Cash and cash equivalents	\$ 2,301,053
Certificates of Deposit	1,770,651
Investments	63,998,585
Pledges receivable	123,294
Accounts receivable, net	597,866
Capital assets, net	7,809,027
Due from affiliate	13,399
Other current assets	1,983,968
Total current assets	<u>78,597,843</u>

Noncurrent Assets

Pledge receivable noncurrent	25,000
Total noncurrent assets	<u>25,000</u>
Total assets	<u>\$ 78,622,843</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 655,977
Amounts held in custody for others	4,066,090
Notes payable	38,860
Bonds payable	1,190,000
Other current liabilities	7,053,551
Total current liabilities	<u>13,004,478</u>

Noncurrent Liabilities

Notes payable	200,057
Bonds payable	59,990,000
Total noncurrent liabilities	<u>60,190,057</u>
Total liabilities	<u>73,194,535</u>

NET ASSETS

Unrestricted	1,851,337
Temporarily restricted	2,009,997
Permanently restricted	1,566,974
Total Net Assets	<u>\$ 5,428,308</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
CONSOLIDATED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATING REVENUES

Gifts received by the foundation	\$ 683,079
Interest income	19,569
Other operating revenues	2,691,535
Total operating revenues	<u><u>3,394,183</u></u>

OPERATING EXPENSES

Other operating expenses	(346,742)
Total operating expenses	<u>(346,742)</u>
Operating income (loss)	<u><u>3,047,441</u></u>

NONOPERATING REVENUES AND (EXPENSES)

Net investment income (loss)	6,148
Interest expense	(106,267)
Payments to or on behalf of the university	(1,705,409)
Net nonoperating revenues (expenses)	<u>(1,805,528)</u>
Income before other revenues, expenses, gains, and losses	<u><u>1,241,913</u></u>

Increase (decrease) in net assets	1,241,913
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Net assets at beginning of year, restated	4,186,395
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Net assets at end of year	<u><u>\$ 5,428,308</u></u>
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SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

ORGANIZATION

The Southern University System Foundation is a legally separate, tax-exempt organization supporting the Southern University System. This foundation was included in the university's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended December 31, 2006, the Southern University System Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amount of \$1,705,409.

Complete financial statements for the Southern University System Foundation can be obtained from:
P.O. Box 2468, Baton Rouge, LA 70821.

The Southern University System Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the university's financial report for these differences.

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

CONSOLIDATING SCHEDULE OF CAPITAL ASSETS

	Balance 12/31/2005	Prior Period Adjustment	Restated Balance 12/31/2005	Additions	*Transfers	**Retirements	Balance 12/31/06
Capital assets not being depreciated							
Land	\$ 555,193	\$ -	\$ 555,193	\$ 459,785	\$ -	\$ -	\$ 1,014,978
Non-depreciable land improvements	-	-	-	-	-	-	-
Capitalized collections	-	-	-	-	-	-	-
Livestock	-	-	-	-	-	-	-
Construction in progress	-	-	-	3,325,514	-	-	3,325,514
Total capital assets not being depreciated	\$ 555,193	\$ -	\$ 555,193	\$ 3,785,299	\$ -	\$ -	\$ 4,340,492
Total infrastructure	-	-	-	-	-	-	-
Depreciable land improvements	-	-	-	550,658	-	-	550,658
** Less accumulated depreciation	-	-	-	-	-	-	-
Total land improvements	-	-	-	550,658	-	-	550,658
Buildings	172,125	-	172,125	989,722	-	-	1,161,847
** Less accumulated depreciation	(28,687)	-	(28,687)	(4,413)	-	-	(33,100)
Total buildings	143,438	-	143,438	985,309	-	-	1,128,747
Software	-	-	-	13,268	-	-	13,268
** Less accumulated depreciation	-	-	-	(663)	-	-	(663)
Total software	-	-	-	12,605	-	-	12,605
Equipment	2,615,485	-	2,615,485	224,255	-	-	2,839,740
** Less accumulated depreciation	(805,872)	-	(805,872)	(257,343)	-	-	(1,063,215)
Total equipment	1,809,613	-	1,809,613	(33,088)	-	-	1,776,525
Total other capital assets	\$ 1,953,051	\$ -	\$ 1,953,051	\$ 1,515,484	\$ -	\$ -	\$ 3,468,535
Capital Asset Summary:							
Capital assets not being depreciated	\$ 555,193	\$ -	\$ 555,193	\$ 3,785,299	\$ -	\$ -	\$ 4,340,492
Other capital assets, at cost	2,787,610	-	2,787,610	1,777,903	-	-	4,565,513
Total cost of capital assets	3,342,803	-	3,342,803	5,563,202	-	-	8,906,005
Less accumulated depreciation	(834,558)	-	(834,558)	(262,419)	-	-	(1,096,977)
Capital assets, net	\$ 2,508,245	\$ -	\$ 2,508,245	\$ 5,300,783	\$ -	\$ -	\$ 7,809,028

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS, NOTES PAYABLE, AND OTHER LIABILITIES

	Balance December 31, <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance at December 31, <u>2006</u>	Amounts due within <u>one year</u>
Bonds & notes payable:					
Bonds payable	\$ 1,360,000	\$ 59,990,000	\$ 170,000	\$ 61,180,000	\$ 1,190,000
Notes payable	1,895,842	1,666,876	3,323,801	238,917	38,860
Total bonds, notes and capital leases	<u>3,255,842</u>	<u>61,656,876</u>	<u>3,493,801</u>	<u>61,418,917</u>	<u>1,228,860</u>
Other liabilities:					
Amounts held in custody for others	3,479,425	586,665	-	4,066,090	4,066,090
Total other liabilities	<u>3,479,425</u>	<u>586,665</u>	<u>-</u>	<u>4,066,090</u>	<u>4,066,090</u>
Total long-term liabilities	<u>\$ 6,735,267</u>	<u>\$ 62,243,541</u>	<u>\$ 3,493,801</u>	<u>\$ 65,485,007</u>	<u>\$ 5,294,950</u>

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF NOTES PAYABLE:

<u>Issue</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Principal Outstanding 12/31/05</u>	<u>Issued</u>	<u>(Redeemed)</u>	<u>Principal Outstanding 12/31/06</u>	<u>Interest Rates</u>	<u>Interest Outstanding 12/31/06</u>
Hancock Bank	5/29/02	2,000,000	\$ 40,000	\$ -	\$ (30,000)	\$ 10,000	7.50%	\$ 438
Daktronics	4/20/03	315,520	255,842	-	(26,925)	228,917	7.00%	2,913
Regions Bank	11/9/04	1,600,000	1,600,000	-	(1,600,000)	-	5.50%	-
Liberty Bank	04/28/06	1,666,876	-	1,666,876	(1,666,876)	-	7.75%	-
Total		\$ 5,582,396	\$ 1,895,842	\$ 1,666,876	\$ (3,323,801)	\$ 238,917		\$ 3,351

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BONDS PAYABLE:

Issue	Date of Issue	Original Issue	Principal Outstanding 12/31/05	(Redeemed) Issued	Principal Outstanding 12/31/06	Interest Rates	Interest Outstanding 12/31/06
Louisiana Public Facilities Authority	12/13/06	\$ 59,990,000	\$ -	\$ 59,990,000	\$ 59,990,000	4.62%	\$ -
Louisiana Local Government - Environmental Facilities and Community Development Authority	5/16/03	1,700,000	1,360,000	(170,000)	1,190,000	5.00%	11,186
Total		\$ 61,690,000	\$ 1,360,000	\$ 59,820,000	\$ 61,180,000		\$ 11,186

SOUTHERN UNIVERSITY SYSTEM FOUNDATION
NOTES TO THE OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF BOND PAYABLE AMORTIZATION:

<u>Fiscal Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,190,000.00	\$ 2,512,174.00	\$ 3,702,174.00
2008	-	2,824,975	2,824,975
2009	925,000	2,824,975	3,749,975
2010	970,000	2,778,725	3,748,725
2011	1,010,000	2,739,925	3,749,925
2012-2038	57,085,000	44,139,287	101,224,287
TOTAL	\$ 61,180,000	\$ 57,820,061	\$ 119,000,061